

High Desert Corridor
Joint Powers Authority

November 30, 2018

Meeting Materials

Item 4

Recommended Action:

Approve Staff recommendation for the High Desert Corridor JPA to sponsor Brightline's request for the California Infrastructure and Economic Development Bank to issue Private Activity Bonds for a portion of XpressWest project and authorize the Board Chair to sign any necessary documents as required by the State Infrastructure Bank after review by County Counsel and direct that such documents be filed with the Secretary of the Board.



High Desert Corridor Joint Powers Authority



E-220 HIGH DESERT CORRIDOR

Date: November 30, 2018

Subject: Request to sponsor private activity bonds.

Recommendation:

Approve staff's recommendation for the High Desert Corridor Joint Powers Authority (HDCJPA) to sponsor Brightline's request for the California Infrastructure Economic Development Bank (IBank) to issue private activity bonds for the XpressWest project and authorize the Chairman to sign any necessary documents as required by IBank after review by County Counsel and direct that any such documents be filed with the Secretary of the Board.

Background:

On September 18, 2018, Brightline Trains, LLC (Brightline), the nation's only privately owned, operated and maintained express intercity passenger rail system, announced its agreement to acquire DesertXpress Enterprises, LLC, the company behind the XpressWest passenger rail project (the Project). Brightline will take over the development, construction and operation of the Project and work with federal and local transportation officials to connect Las Vegas with Victorville, California, with plans to expand into the Los Angeles area. Brightline announced that construction is expected to begin in 2019, with initial service expected to begin in 2022. In order to finance the California portion of the Project, Brightline has requested that the HDCJPA sponsor Brightline's request for IBank to issue private activity bonds. Founded in 1994, IBank finances public infrastructure and private development that promote jobs, contribute to the economy and improve the quality of life in California communities. IBank has broad statutory authority to issue tax-exempt and taxable revenue bonds, and provide loans to state and local governments for public infrastructure and economic expansion projects.

Brightline proposes to construct, operate, and maintain a high speed passenger train system along the approximately 180-mile corridor between Victorville, California, and Las Vegas, Nevada. The proposal is to construct the vast majority of the fully grade-separated, dedicated passenger-only railroad within the median of the Interstate 15 (I-15) highway corridor. There will be a combination of single and double-track segments. The train technology will be either clean-burning hybrid diesel-electric or fully electric trains running at least hourly in each direction and may be capable of reaching speeds in excess of 150 mph. Two passenger stations will be built, one in Victorville, California the other in Las Vegas, Nevada; each would be located immediately adjacent to the I-15 corridor. The Project also includes ancillary operations and maintenance facilities in Victorville, California, Las Vegas, Nevada and potentially in Baker, California.

Private activity bonds are tax-exempt bonds issued by, or on behalf of, local or state governments to provide special financing for qualified projects, including infrastructure projects. The California Government Code indicates that any subdivision of the state or local government, including a joint powers authority, may sponsor an application to IBank for financial assistance in connection with a project that meets certain criteria. The private entity, in this case Brightline, is

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obligated to pay the debt service on the bonds. The debt service on the bonds will not be an obligation of the HDCJPA. Brightline's Florida projects have already created thousands of jobs and are projected to generate billions of dollars in new economic activity, while eliminating the equivalent of millions of cars from state roadways.

In the interest of economic development, jobs, reduced air pollution and improved interstate mobility, the HDCJPA has supported and collaborated on planning with the Project since May of 2010. The Victorville XpressWest station is the HDCJPA project's eastern terminus, and will serve to extend rail service to the Palmdale Transportation Center, creating a regional and interstate rail network. The High Desert Corridor and XpressWest will ultimately connect to the California High Speed Rail Project, providing efficient, affordable, and environmentally beneficial access to other regional areas.

Therefore, staff recommends the HDCJPA sponsor Brightline's request to the IBank for private activity bonds to assist in financing the California portion of the Project.

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